OKLAHOMA TAX COMMISSION

TAX POLICY AND RESEARCH DIVISION
TONY MASTIN, DIRECTOR

PHONE (405) 521-3133
FACSIMILE (405) 522-0063

January 6, 2004

Re: Our File Number LR-03-287; Taxability of leases and rentals

This is in response to your request for guidance on the taxability for the above subject. I have scanned your questions into this letter, followed by our response.

"We are seeking guidance on the taxability of leases and rentals. Our specific product taxability questions are detailed below. It would be helpful to us if you indicate any statutes or authorities you use.

Questions:

1. In general, are leases and rentals subject to sales and/or use tax?

Our Response: Yes, see Commission Rule 710:65-1-11 subsection (a), a copy of which is enclosed.

2. Are purchases which are made for the sole purpose of lease or rental subject to sales and/or use tax?

Our Response: No, see subsection (g) of the above rule.

3. Are purchases which are made for consumption as well as for lease or rental (subsequent lease or rental) subject to sales and/or use tax?

Our Response: No, if you are referring to items such as oil, filters, and the like, which are purchased by the lessor, and are incorporated into the property transferred to the lessee. See subsection (h) of the above rule.

4. Are leases or rentals with the option to purchase subject to sales and/or use tax?

Our Response: Yes, see subsection (a) of the above rule.

5. Are the services of an operator furnished with a lease or rental subject to sales and/or use tax?

Our Response: No, see subsection (f) of the above rule.

6. Is the repair of leased or rented property subject to sales and/or use tax?

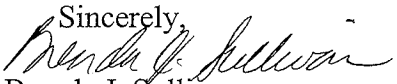
Our Response: No, see subsection (h) of the above rule.

7. Are leases between related corporations subject to sales and/or use tax?"

Our Response: Yes, see Commission Rule 710:65-13-201.

This response applies only to the circumstances set out in your request of December 9, 2003. Pursuant to Commission Rule 710:1-3-73(e), this Letter Ruling may be generally relied upon **only** by the entity to whom it is issued, assuming that all pertinent facts have been accurately and completely stated, and that there has been no change in applicable law. If I can be of further assistance, please feel free to contact me.

Sincerely,



Brenda J. Sullivan
Tax Policy Analyst